

Colorado Horse Rescue

(a nonprofit Colorado corporation)

Financial Statements

December 31, 2019 and 2018

Colorado Horse Rescue

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Independent Auditor's Report

To the Board of Directors
Colorado Horse Rescue
Longmont, Colorado

We have audited the accompanying financial statements of Colorado Horse Rescue (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Colorado Horse Rescue as of December 31, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The financial statements of Colorado Horse Rescue as of December 31, 2018, were audited by other auditors whose report dated August 19, 2019, expressed an unmodified opinion on those statements.

Brock and Company, CPAs, P.C.
Certified Public Accountants

Longmont, Colorado
May 27, 2020

Colorado Horse Rescue

Statements of Financial Position

December 31	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,311,359	\$ 1,412,903
Investments	1,548,334	1,354,852
Other receivable	8,688	-
Inventories	82,964	34,782
Prepaid expenses	2,158	-
Total current assets	<u>2,953,503</u>	<u>2,802,537</u>
Property and Equipment		
Land and buildings	1,198,969	1,198,947
Equipment	120,696	112,323
Vehicles	93,238	63,779
	<u>1,412,903</u>	<u>1,375,049</u>
Less accumulated depreciation	(529,682)	(485,543)
Net property and equipment	<u>883,221</u>	<u>889,506</u>
Total assets	<u>\$ 3,836,724</u>	<u>\$ 3,692,043</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 11,880	\$ 8,413
Accrued compensation and benefits	7,937	7,937
Total current liabilities	<u>19,817</u>	<u>16,350</u>
Net Assets		
Without donor restrictions	3,775,002	3,612,612
With donor restrictions	41,905	63,081
Total net assets	<u>3,816,907</u>	<u>3,675,693</u>
Total liabilities and net assets	<u>\$ 3,836,724</u>	<u>\$ 3,692,043</u>

The accompanying Notes are an integral
part of these financial statements

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Colorado Horse Rescue

Statement of Activities

Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Operating Support			
Grants and contributions	\$ 551,792	\$ 10,000	\$ 561,792
In-kind contributions	52,988	-	52,988
Special events, net	134,275	-	134,275
Net assets released from restrictions			
Satisfaction of program restrictions	31,176	(31,176)	-
Total operating support	<u>770,231</u>	<u>(21,176)</u>	<u>749,055</u>
Operating Revenue			
Adoption fees	52,135	-	52,135
Corporate events	31,200	-	31,200
Merchandise sales, net	15,641	-	15,641
Surrender fees	9,275	-	9,275
Education clinics	7,445	-	7,445
Other program revenue	2,080	-	2,080
Total operating revenue	<u>117,776</u>	<u>-</u>	<u>117,776</u>
Total operating support and revenue	<u>888,007</u>	<u>(21,176)</u>	<u>866,831</u>
Operating Expenses			
Program services	734,673	-	734,673
Supporting services			
General and administrative	142,707	-	142,707
Fundraising	137,300	-	137,300
Total operating expenses	<u>1,014,680</u>	<u>-</u>	<u>1,014,680</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>(126,673)</u>	<u>(21,176)</u>	<u>(147,849)</u>
Other Changes			
Net investment income	287,940	-	287,940
Gain on sale of equipment	800	-	800
Other income	323	-	323
Total other changes	<u>289,063</u>	<u>-</u>	<u>289,063</u>
Change in Net Assets	<u>162,390</u>	<u>(21,176)</u>	<u>141,214</u>
Net Assets, Beginning of Year	<u>3,612,612</u>	<u>63,081</u>	<u>3,675,693</u>
Net Assets, End of Year	<u>\$ 3,775,002</u>	<u>\$ 41,905</u>	<u>\$ 3,816,907</u>

The accompanying Notes are an integral
part of these financial statements

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Colorado Horse Rescue

Statement of Activities

Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Grants and contributions	\$ 1,427,980	\$ 71,000	\$ 1,498,980
In-kind contributions	101,825	-	101,825
Special events, net	46,204	-	46,204
Net assets released from restrictions			
Satisfaction of program restrictions	14,588	(14,588)	-
Total operating support	<u>1,590,597</u>	<u>56,412</u>	<u>1,647,009</u>
Operating Revenue			
Adoption fees	48,965	-	48,965
Merchandise sales, net	18,930	-	18,930
Corporate events	9,675	-	9,675
Education clinics	8,775	-	8,775
Surrender fees	5,550	-	5,550
Other program revenue	2,880	-	2,880
Total operating revenue	<u>94,775</u>	<u>-</u>	<u>94,775</u>
Total operating support and revenue	<u>1,685,372</u>	<u>56,412</u>	<u>1,741,784</u>
Operating Expenses			
Program services	659,076	-	659,076
Supporting services			
General and administrative	148,370	-	148,370
Fundraising	74,610	-	74,610
Total operating expenses	<u>882,056</u>	<u>-</u>	<u>882,056</u>
Total operating support and revenue in excess of operating expenses	<u>803,316</u>	<u>56,412</u>	<u>859,728</u>
Other Changes			
Gain on sale of equipment	3,000	-	3,000
Net investment loss	(104,074)	-	(104,074)
Total other changes	<u>(101,074)</u>	<u>-</u>	<u>(101,074)</u>
Change in Net Assets	<u>702,242</u>	<u>56,412</u>	<u>758,654</u>
Net Assets, Beginning of Year	<u>2,910,370</u>	<u>6,669</u>	<u>2,917,039</u>
Net Assets, End of Year	<u>\$ 3,612,612</u>	<u>\$ 63,081</u>	<u>\$ 3,675,693</u>

The accompanying Notes are an integral
part of these financial statements

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Statement of Functional Expenses

Year ended December 31, 2019

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 227,205	\$ 36,754	\$ 70,166	\$ 334,125
Employee benefits	41,120	6,652	12,699	60,471
Payroll taxes	22,814	3,691	7,046	33,551
Total personnel costs	<u>291,139</u>	<u>47,097</u>	<u>89,911</u>	<u>428,147</u>
Equine management and training	285,990	-	-	285,990
Contract services	48,933	-	16,311	65,244
Depreciation	46,152	2,564	2,564	51,280
Marketing	6,480	14,580	11,340	32,400
Insurance	14,167	12,750	1,417	28,334
Professional fees	-	25,956	-	25,956
Repairs and maintenance	11,286	1,411	1,411	14,108
Occupancy	10,358	1,295	1,295	12,948
Office expenses	2,577	9,018	1,288	12,883
Telephone and internet	1,145	9,162	1,145	11,452
Meetings and staff expenses	-	10,548	-	10,548
Other farm management	8,852	-	-	8,852
Licenses and fees	3,839	3,455	384	7,678
Information technology	2,419	2,419	1,210	6,048
Development expenses	-	-	5,516	5,516
Bank and credit card fees	378	755	2,643	3,776
Dues and subscriptions	834	834	-	1,668
Printing and postage	124	247	865	1,236
Miscellaneous expenses	-	616	-	616
Total operating expenses	<u>\$ 734,673</u>	<u>\$ 142,707</u>	<u>\$ 137,300</u>	<u>\$ 1,014,680</u>

The accompanying Notes are an integral
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Statement of Functional Expenses

Year ended December 31, 2018

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 192,328	\$ 48,082	\$ 42,425	\$ 282,835
Payroll taxes	20,686	5,172	4,563	30,421
Employee benefits	7,489	1,872	1,652	11,013
Total personnel costs	220,503	55,126	48,640	324,269
Equine management and training	272,612	-	-	272,612
Contract services	55,120	-	-	55,120
Professional fees	-	54,837	-	54,837
Depreciation	39,832	2,213	2,213	44,258
Insurance	16,484	7,065	-	23,549
Other farm management	19,084	-	-	19,084
Repairs and maintenance	10,874	1,359	1,359	13,592
Occupancy	8,761	1,095	1,095	10,951
Office expenses	2,126	6,377	2,126	10,629
Telephone and internet	850	6,798	850	8,498
Licenses and fees	6,570	1,642	-	8,212
Development expenses	-	-	7,738	7,738
Bank and credit card fees	1,363	2,726	2,726	6,815
Information technology	2,573	1,930	1,930	6,433
Meetings and staff expenses	-	4,789	1,197	5,986
Marketing	707	-	2,828	3,535
Printing and postage	318	954	1,908	3,180
Dues and subscriptions	1,299	1,299	-	2,598
Miscellaneous expenses	-	160	-	160
Total operating expenses	\$ 659,076	\$ 148,370	\$ 74,610	\$ 882,056

The accompanying Notes are an integral
part of these financial statements

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Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ 141,214	\$ 758,654
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	51,280	44,258
Gain on sale of equipment	(800)	(1,000)
Net realized gain on investments	4,605	(31,770)
Net unrealized loss on investments	(242,354)	174,909
Increase (decrease) from changes in assets and liabilities		
Other receivable	(8,688)	-
Inventories	(48,182)	(13,871)
Prepaid expenses	(2,158)	-
Accounts payable	3,467	(6,489)
Accrued compensation and benefits	-	(7,869)
Net cash provided (used) by operating activities	<u>(101,616)</u>	<u>916,822</u>
Cash Flows From Investing Activities		
Net purchases of investments	44,267	(26,386)
Purchases of property and equipment	(44,995)	(40,270)
Proceeds from sale of property and equipment	800	1,000
Net cash provided (used) by investing activities	<u>72</u>	<u>(65,656)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(101,544)	851,166
Cash and Cash Equivalents, Beginning of Year	<u>1,412,903</u>	<u>561,737</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,311,359</u>	<u>\$ 1,412,903</u>

The accompanying Notes are an integral
part of these financial statements

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Colorado Horse Rescue

Notes to Financial Statements

December 31, 2019 and 2018

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. Colorado Horse Rescue (the Organization) is a Colorado non-profit corporation established in September 1988. The Organization's mission is to provide a safe solution for every horse in need. Through education, care, rehabilitation, and adoption services, the Organization supports horses in vulnerable and sometimes desperate circumstances. The Organization's funding is derived principally from charitable contributions and program service fees.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated by receiving contributions that have no donor stipulations and receiving investment, merchandise sales, and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Changes in Accounting Principles. On January 1, 2019, the Organization adopted FASB ASU No. 2018-08 - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope of accounting guidance for contributions received and contributions made. The Organization adopted ASU 2018-08 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results from reporting periods beginning after January 1, 2019, are presented under the clarified standard, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance. The adoption would not have had any material effect on the change in net assets for the year ended December 31, 2018, or on net assets as of December 31, 2018

Additionally, on January 1, 2019, the Organization adopted FASB ASU No. 2014-09 (Topic 606) - *Revenue from Contracts With Customers*, which provides guidance for revenue recognition that superseded previous guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods and services. The Organization adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods.

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2019 and 2018

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Changes in Accounting Principles (continued). Results from reporting periods beginning after January 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance. The adoption would not have had any material effect on the change in net assets for the year ended December 31, 2018, or on net assets as of December 31, 2018.

Cash and Cash Equivalents. Cash and cash equivalents consists of money market funds, checking and savings accounts held at financial institutions. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Investments. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians.

Unrealized gains and losses are included in the accompanying statement of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements. The Organization reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2019 and 2018

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization values debt and equity securities and mutual funds with readily determinable market values at fair value as determined by quoted market prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodology used at December 31, 2019 and 2018.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

Other Receivable. The other receivable consists of refunds due back to the Organization from a vendor. As of December 31, 2019, management believes all accounts are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded.

Inventories. Inventories consists of hay and retail merchandise sold at the Organization's retail store, and is stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$1,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using straight-line methods over the estimated useful lives of the assets, which is generally ten to forty years for buildings, five to ten years for equipment, and five years for vehicles. Depreciation expense totaled \$51,279 and \$44,258 for the years ended December 31, 2019 and 2018, respectively.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2019 and 2018.

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2019 and 2018

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Contributions. Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services and Materials. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed materials are reported at fair market value on the date of gift.

Revenue Recognition. The Organization's revenues from contracts with customers is comprised of adoption fees, corporate events, merchandise sales, surrender fees, and education clinics.

Adoption fees consist of fees in exchange for adopting a horse. Revenue is recognized at the point in time in which the horse is picked up or delivered, which satisfies the Organization's performance obligation.

Corporate event revenue under the LeadChange program is recognized as the Organization provides services to attendees. Any amounts received prior to the event is recorded as a contract liability.

Merchandise sales consist of sales made in the retail and thrift store. Revenue is recognized at the point in time in which the merchandise is purchased by the customer, which satisfies the Organization's performance obligation.

Surrender fees consist of fees collected when a horse is surrendered to the Organization. Revenue is recognized at the point in time in which the horse is picked up or delivered, which satisfies the Organization's performance obligation.

Education clinic revenue is recognized as the Organization provides services to attendees. Any amounts received prior to the course is recorded as a contract liability.

Revenues are reported at the amount of consideration which the Organization expects to be entitled in exchange for providing the goods and services. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by discounts and other price concessions.

Functional Allocation of Expenses. The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2019 and 2018

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Reclassifications. Certain amounts from the financial statements for the year ended December 31, 2018 have been reclassified to conform to current year presentation, without affecting the change in net assets.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through May 27, 2020, the date at which the financial statements were available for release.

Note 2 - Fair Value Measurement and Subsequent Event

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Bond funds	\$ 417,434	\$ -	\$ -	\$ 417,434
Equity funds	447,041	-	-	447,041
Exchange traded funds	231,813	-	-	231,813
Debt and equity securities				
U.S. Equities	430,492	-	-	430,492
Other	21,554	-	-	21,554
	<u>\$ 1,548,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,548,334</u>

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Bond funds	\$ 462,495	\$ -	\$ -	\$ 462,495
Equity funds	383,853	-	-	383,853
Exchange traded funds	136,933	-	-	136,933
Debt and equity securities				
U.S. Equities	362,080	-	-	362,080
Other	9,491	-	-	9,491
	<u>\$ 1,354,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,354,852</u>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2019 and 2018

Note 2 - Fair Value Measurement and Subsequent Event (continued)

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2019 and 2018, there were no significant transfers in or out of fair value levels.

Net investment income (loss) consisted of the following for the year ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 63,353	\$ 52,295
Net realized gain on investments	(4,605)	31,770
Net unrealized loss on investments	<u>242,354</u>	<u>(174,909)</u>
	<u>301,102</u>	<u>(90,844)</u>
Investment fees	<u>(13,162)</u>	<u>(13,230)</u>
	<u>\$ 287,940</u>	<u>\$ (104,074)</u>

During 2020, valuations in the financial markets have generally declined substantially. The fair value of Organization's investments in equity securities and mutual funds have decreased in value since December 31, 2019.

Note 3 - Inventories

Inventories consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Hay	\$ 81,685	\$ 32,164
Retail merchandise	<u>1,279</u>	<u>2,618</u>
	<u>\$ 82,964</u>	<u>\$ 34,782</u>

Note 4 - Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions:

	Auction Horse Rescues	Equine Management and Other	Total
Balance, January 1, 2018	\$ -	\$ 6,669	\$ 6,669
Additions	61,000	10,000	71,000
Releases	<u>(7,919)</u>	<u>(6,669)</u>	<u>(14,588)</u>
Balance, December 31, 2018	\$ 53,081	\$ 10,000	\$ 63,081
Additions	-	10,000	10,000
Releases	<u>(21,176)</u>	<u>(10,000)</u>	<u>(31,176)</u>
Balance, December 31, 2019	<u>\$ 31,905</u>	<u>\$ 10,000</u>	<u>\$ 41,905</u>

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2019 and 2018

Note 5 - Operating Lease

The Organization leases equipment under a noncancelable operating lease, which expires in March 2024. Rent expense, including supplies and maintenance, under the lease totaled \$3,355 and \$4,576 for the years ended December 31, 2019 and 2018, respectively.

Future annual minimum lease payments required under the noncancelable operating lease is as follows at December 31, 2019:

<u>Year</u>	<u>Amount</u>
2020	\$ 2,640
2021	2,640
2022	2,640
2023	2,640
2024	660
	<u>\$ 11,220</u>

Note 6 - Revenue from Contracts with Customers

The composition of revenue by segment based on the timing of the transfer of goods or services is as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Recognized at a point in time		
Adoption fees	\$ 52,135	\$ 48,965
Merchandise sales	20,388	33,447
Surrender fees	9,275	5,550
Other program revenue	2,080	2,880
Recognized over time		
Corporate events	31,200	9,675
Education clinics	7,445	8,775
	<u>\$ 122,523</u>	<u>\$ 109,292</u>

Note 7 - In-kind Contributions

Contributed materials and services are as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Materials		
Supplies and tack	\$ 20,017	\$ 73,616
Auction items	8,798	12,930
Hay	899	9,533
	<u>29,714</u>	<u>96,079</u>
Services	32,072	18,676
	<u>\$ 61,786</u>	<u>\$ 114,755</u>

Colorado Horse Rescue

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Note 8 - Special Event

The Organization derived net revenue from the Mane Event special fundraising event during the years ended December 31:

	<u>2019</u>	<u>2018</u>
Event contributions	\$ 177,713	\$ 95,580
Direct costs	(43,438)	(49,376)
Net revenue	<u>\$ 134,275</u>	<u>\$ 46,204</u>

Note 9 – Retirement Plan

The Organization provides for a deferred compensation plan under Internal Revenue Code Section 408(p) which allows an employee to contribute up to \$13,000 of their annual compensation. The Organization provides a matching contribution to the plan up to 3% of the employee's annual compensation. The Organization contributed \$14,687 and \$2,430 to the plan for the years ended December 31, 2019 and 2018, respectively.

Note 10 - Liquidity and Availability

The Organization had \$2,868,381 and \$2,767,755 in financial assets available within one year of December 31, 2019 and 2018, respectively. The Organization receives significant contributions that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity monthly. During the years ended December 31, 2019 and 2018, the level of liquidity and reserves was managed within the guiding principles.

Note 11 – Concentrations of Credit Risk

Bank Deposits. At certain times of the year, the Organization maintained cash balances in excess of federally insured limits.

Major Donors. The Organization had two donors that comprised 67% of total support and revenue for the year ended December 31, 2018. There were no major donors for the year ended December 31, 2019.

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Note 12 – Uncertainty and Subsequent Event

During 2020, a health care pandemic has occurred in the United States and internationally. In response to the crisis, the federal, state, and municipal governments have enacted various policies to curtail group gatherings until the risk has diminished. Certain services of the Organizations are subject to closure or substantially modified operations. Additionally, the global economy has been negatively impacted. No reliable estimate of the potential future financial impacts of this uncertainty on the Organization can be made at this time.

During April 2020, the Organization received the proceeds of a Payroll Protection Program loan of \$84,300. The note is unsecured and bears interest at 1%. Payments are scheduled to begin in November 2020. Proceeds of the loan are forgivable if at least 75% of the proceeds are spent on eligible payroll, with the remaining 25% allowed to be spent for other narrowly specified expenses.